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ABSTRACT

This resource book for entrepreneurship is one of four resource books developed for use in Code 30 or adult vocational programs in the home furnishings service area. Representative, illustrative, and informative materials contained in the resource book are List of Film Titles, Small Business Profile, Home Economics, Related Small Businesses, Worksheet, Application for Seller's Permit, Business Practices, Calculating Financial Ratios, and Annotated Glossary of Business Terms. (YLB)

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FORWARD

This publication contains illustrative and informative materials for teaching Entrepreneurship.

Reference is made to these resources in the Suggested Curriculum Guide for Entrepreneurship. In the guide, the word RESOURCE is identified in capital letters and the pages from the Resource Book are listed.

Refer to Bibliography in Suggested Curriculum Guide for Entrepreneurship to obtain complete addresses of materials used.

1982

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LIST OF FILM TITLES

The U.S. Small Business Administration (SBA) has available for loan to its field offices a number of management training films. All films are 16-mm and in color. All films are available at no fee if your small-business course or program is cosponsored by either the SBA or a Small Business Development Center.

To order any of the films listed below, get in touch with your nearest SBA field office. What follows is a brief description of each film.

FILM TITLE AND DESCRIPTION

Planning a New Business Explores the personal qualities, kinds of planning, and various sources of help and advice needed to start a new venture. (28 minutes)

Very Enterprising Women Focuses on how several women launched their ventures successfully, what motivated them, and how they solved their problems. (15 minutes)

The Habit of Winning Offers case histories of six former professional football players who succeeded as entrepreneurs, citing examples of how the "habit of winning" applies to small ventures. (28 minutes)

Pack Your Own Chute Shows that personal fears can be overcome through self-confidence. (25 minutes)

E is for Export Explains how an entrepreneur used the export services of various federal agencies and the private sector to sell successfully overseas. (16 minutes)

The Business Plan Dramatizes the need for a business plan as a managerial tool for successful operations. (14 minutes)

FILM TITLE AND DESCRIPTION

The Right Location Dramatizes the importance of the right location and outlines some of the essential factors to consider in making a site selection study. (17 minutes)

Heartbeat of Business Dramatizes good and bad examples of financial management. (14 minutes)

The Man or Woman for the Job Points out the importance of effective recruitment and selection procedures. (14 minutes)

The Time of Your Life Gives the basic principles and practices of good time management. (28 minutes)

The Language of Business Dramatizes the need for good record keeping. (13 minutes)

That's Business Features two management specialists who illustrate how the complex interactions of production, marketing, finance, and dealing with people can be portrayed systematically with numbers as expressed in just two algebraic sums: net profit and cash flow:

- Part I: Forecasting Profits (30 minutes)
- Part II: Cash Flow (30 minutes)

Where You Are; Where You're Going Focuses on the privotal importance of financial analysis and control. (18 minutes)

Marketing for Profit Dramatizes the importance of marketing and its relationship to the total business plan and the venture's profit goal. (18 minutes)

The Advertising Question Focuses on the aims and techniques of advertising. (14 minutes)

The Professional Dramatizes the key principles and concepts of truly effective selling. (30 minutes)

The Seventh Chair Dramatizes how best to head off credit and collection problems. (13 minutes)

Knowing Where You Stand Tells why an inventory system is crucial to turning higher profits and better use of scarce dollars. (15 minutes)

The Shoplifter Shows amateur and professional shoplifting techniques and explains how to prevent thefts. (20 minutes)

You and Your Customers Dramatizes the importance of good customer relations. (14 minutes)

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Small business profile:

20 or fewer employee

market highly centralized

usually low initial capital requirements

success enhanced by experience in the field

To be a successful business owner, it is important to know as much as you can about the business field and have a good working knowledge of our economic system.

the mainstay of our economy, providing about 80% of the employment

high failure rate within the 1st 3 yrs

must do the business part of small business, i.e., the record keeping and cash flow

In teaching:

1. studies enhanced by using case studies to illustrate the theory and quoted statements by business people

2. more satisfactory participation and thorough understanding to be attained by having each student select a specific business (hopefully one he/she may actually wish to try) for the course of study.

3. A large percentage of the glossary words need to be understood

BEFORE YOU START

w about YOU?

Are you the kind of person who can get a business started and make it go? (Before you answer this question, use the worksheet on pages 4 and 5.) ___

Think about *why* you want to own your own business. Do you want to badly enough to keep you working long hours without knowing how much money you'll end up with? ___

Have you worked in a business like the one you want to start? ___

Have you worked for someone else as a foreman or manager? ___

Have you had any business training in school? ___

Have you saved any money? ___

w about the money?

Do you know how much money you will need to get your business started? (Use worksheets 2 and 3 on pages 6 and 12 to figure this out.) ___

Have you counted up how much money of your own you can put into the business? ___

Do you know how much credit you can get from your suppliers—the people you will buy from? ___

Do you know where you can borrow the rest of the money you need to start your business? ___

Have you figured out what net income per year you expect to get from the business? Count your salary and your profit on the money you put into the business. ___

Can you live on less than this so that you can use some of it to help your business grow? ___

Have you talked to a banker about your plans? ___

How about a partner

If you need a partner with money or know-how that you don't have, do you know someone who will fit—someone you can get along with? ___

Do you know the good and bad points about going it alone, having a partner, and incorporating your business? ___

Have you talked to a lawyer about it? ___

How about your customers?

Do most businesses in your community seem to be doing well? ___

Have you tried to find out whether stores like the one you want to open are doing well in your community and in the rest of the country? ___

Do you know what kind of people will want to buy what you plan to sell? ___

Do people like that live in the area where you want to open your store? ___

Do they need a store like yours? ___

If not, have you thought about opening a different kind of store or going to another neighborhood? ___

GETTING STARTED

Your building

Have you found a good building for your store? ____

Will you have enough room when your business gets bigger? ____

Can you fix the building the way you want it without spending too much money? ____

Can people get to it easily from parking spaces, bus stops, or their homes? ____

Have you had a lawyer check the lease and zoning? ____

Equipment and supplies

Do you know just what equipment and supplies you need and how much they will cost? (Worksheet 3 and the lists you made for it should show this.) ____

Can you save some money by buying secondhand equipment? ____

Your merchandise

Have you decided what things you will sell? ____

Do you know how much or how many of each you will buy to open your store with? ____

Have you found suppliers who will sell you what you need at a good price? ____

Have you compared the prices and credit terms of different suppliers? ____

Your records

Have you planned a system of records that will keep track of your income and expenses, what you owe other people, and what other people owe you? ____

Have you worked out a way to keep track of your inventory so that you will always have enough on hand for your customers but not more than you can sell? ____

Have you figured out how to keep your payroll records and take care of tax reports and payments? ____

Do you know what financial statements you should prepare? ____

Do you know how to use these financial statements? ____

Do you know an accountant who will help you with your records and financial statements? ____

Your store and the law

Do you know what licenses and permits you need? ____

Do you know what business laws you have to obey? ____

Do you know a lawyer you can go to for advice and for help with legal papers? ____

Protecting your store

Have you made plans for protecting your store against thefts of all kinds—shoplifting, robbery, burglary, employee stealing? ____

Have you talked with an insurance agent about what kinds of insurance you need? ____

Buying a business someone else has started

Have you made a list of what you like and don't like about buying a business someone else has started? ____

Are you sure you know the real reason why the owner wants to sell his business? ____

Have you compared the cost of buying the business with the cost of starting a new business? ____

Is the stock up to date and in good condition? ____

Is the building in good condition? ____

Will the owner of the building transfer the lease to you? ____

Have you talked with other businessmen in the area to see what they think of the business? ____

Have you talked with the company's suppliers? ____

Have you talked with a lawyer about it? ____

Entrepreneurship

Home economics related small businesses:

Slipcovers; upholstery; custom clothing; children's wear; nutrition; Draperies; Costumer; tailoring; alterations; caterer; tea room; paperhanger (wall); decorator; drafting & rendering; window treatments (all types); personal shopping services; specialty items (desserts for restaurants); monogram shop; "spring cleaning" services; yarn crafts; quilting crafts; boutique, especially handmades; kitchen accessories--pot holders, aprons, napkins, kitchen witches etc, women's personal accessories--belts, handbags, scarves etc.; home accessories ---pillows, bedspreads, sheets & cases(satins) etc.; color consultant; wardrobe consultant; smocking business; soft sculpture dolls; computer programmer for specific home ec areas not usually considered a high volume item for software; personal diet and exercise program consultant ; the "silk" shop; sandwich shop; floral shop (or wagon); drapery hardware installer; furniture refinisher; personal shopping service; sewing for the elderly; sewing for the petite; sewing for the big person; calligraphy; "frame-it-yourself" frame shops; graphics (wallhangings); needlecraft finisher (mounting); writing "how-to" articles & books

WORKSHEET NO. 2

SBA PUBLICATION

ESTIMATED MONTHLY EXPENSES			
Item	Your estimate of monthly expenses based on sales of $ _____ per year	Your estimate of how much cash you need to start your business (See column 3.)	What to put in column 2 (These figures are typical for one kind of business. you will have to decide how many months to allow for in your business.)
	Column 1	Column 2	Column 3
Salary of owner-manager	$	$	2 times column 1
All other salaries and wages			3 times column 1
Rent			3 times column 1
Advertising			3 times column 1
Delivery expense			3 times column 1
Supplies			3 times column 1
Telephone and telegraph			3 times column 1
Other utilities			3 times column 1
Insurance			Payment required by insurance company
Taxes, including Social Security			4 times column 1
Interest			3 times column 1
Maintenance			3 times column 1
Legal and other professional fees			3 times column 1
Miscellaneous			3 times column 1
STARTING COSTS YOU ONLY HAVE TO PAY ONCE			Leave column 2 blank
Fixtures and equipment			Fill in worksheet 3 on page 12 and put the total here
Decorating and remodeling			Talk it over with a contractor
Installation of fixtures and equipment			Talk to suppliers from who you buy these
Starting inventory			Suppliers will probably help you estimate this
Deposits with public utilities			Find out from utilities companies
Legal and other professional fees			Lawyer, accountant, and so on
Licenses and permits			Find out from city offices what you have to have
Advertising and promotion for opening			Estimate what you'll use
Accounts receivable			What you need to buy more stock until credit customers pay
Cash			For unexpected expenses or losses, special purchases, etc.
Other			Make a separate list and enter total
TOTAL ESTIMATED CASH YOU NEED TO START WITH		$	Add up all the numbers in column 2

WORKSHEET NO. 3

LIST OF FURNITURE, FIXTURES, AND EQUIPMENT

Leave out or add items to suit your business. Use separate sheets to list exactly what you need for each of the items below.	If you plan to pay cash in full, enter the full amount below and in the last column.	If you are going to pay by installments, fill out the columns below. Enter in the last column your downpayment plus at least one installment.			Estimate of the cash you need for furniture, fixtures, and equipment
		Price	Downpayment	Amount of each installment	
Counters	$	$	$	$	$
Storage shelves, cabinets					
Display stands, shelves, tables					
Cash register					
Safe					
Window display fixtures					
Special lighting					
Outside sign					
Delivery equipment if needed					
TOTAL FURNITURE, FIXTURES, AND EQUIPMENT (Enter this figure also in worksheet 2 under "Starting Costs You Only Have To Pay Once," page 7.)					$

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SBA Publication

WISCONSIN DEPARTMENT OF REVENUE
Income, Sales, Inheritance & Excise Tax Division
Post Office Box 39
Madison, Wisconsin 53701

Permit Number	
Date	
Code	

Prepare in duplicate. (Type or print) Send original to above address.

Type of Permit (Check permit(s) for which you are applying and enclose correct fee.)

		Fee
☐	Employer Identification (Withholding Tax)	No Fee Required
☐	*Seller's Permit (Sales Tax)	$2.00 Fee Required
☐	Consumer's Use Tax (See Instruction 4)	No Fee Required
☐	**Use Tax (See Instruction 3)	No Fee Required

*If more than one permit is needed, see Instruction 2, attach list of locations, giving town, village or city and county of each business location.

**Do you have property located in Wisconsin ? ☐ Yes ☐ No

1. True Name (Corporate, Partnership or Individual) | Telephone No.

Street Address | City or Post Office | State | Zip Code

2. Trade or Business Name | Business Telephone

Business Address (Street/Route—Do not use P.O. Box) | City or Post Office | State | Zip Code

Business Located in ☐ City ☐ Village ☐ Township of: _____ County of _____

3. Organization (Check 1) ☐ Individual ☐ Partnership ☐ *Domestic Corporation ☐ *Foreign Corporation (Licensed in Wisconsin? ☐ Yes ☐ No) ☐ Other _____ (Type)

*Date incorporated _____

*Will you file a corporation franchise or income tax return? ☐ Yes ☐ No

4. Kind of merchandise or service you intend to sell

5. Principal business (Service, Retail, Wholesale, Manufacturer)

6. Have you (Sole Proprietor, Partner/s, or Corporate Officer/s) held, or do you now hold a permit issued by the Wisconsin Department of Revenue? ☐ Yes ☐ No
(If yes, indicate type of permit, permit number & location for which it was issued.)

7. Estimated amount of income tax to be withheld from wages each month $ _____

8. Estimated monthly receipts $ _____
Estimated monthly receipts subject to sales tax $ _____

9. Former owner and permit number(s)
_____ (Name)
_____ (Seller's Permit) (Withholding No.)

10. Location of books and records for audit purposes (Street Address, City and State)

11. Will business be operated all year?
☐ Yes ☐ No If no, give:
Date Open _____
Date Closed _____

12. Enter Dates
First sales will be made _____
First taxable wages will be paid _____

13. Will you close your books for the year on December 31?
☐ Yes ☐ No
_____ (If no, on what date will you close your books?)

14. List home address of owner, partners or principal officers (If more space is needed, attach separate sheet.)

NAME	TITLE	STREET ADDRESS	CITY	STATE	SOC. SEC. NO.

15. TO BE COMPLETED BY APPLICANTS FOR SELLER'S PERMITS ONLY

The following information will be used to determine the amount of any security deposit which may be required. Failure to supply this information will automatically result in a security requirement.

Sole proprietorships (individuals) and partnerships list both personal and business assets and liabilities. Corporations list only business assets and liabilities.

Statement of Assets and Liabilities as of: _____ (Date)

ASSETS (Depreciated Cost)		LIABILITIES		*ESTIMATED MONTHLY BUSINESS EXPENDITURES	
Cash	$	Accounts Payable	$	Payroll	$
Receivables		Notes Payable		Rent	
Real Estate: Home		Real Estate Mortgage Balance		Mortgage Payment	
Business		Furniture & Fixtures Balance Due		Furniture & Fixtures	
Other		Balance Due on Equipment		Equipment	
Furniture & Fixtures		Balance Due on Motor Vehicles		Motor Vehicles	
Equipment		Other Liabilities (Describe)		Merchandise Purchases	
Motor Vehicles				Taxes	
Inventories				Other Expenses (Describe)	
Other Assets (Describe)					
		Total Liabilities	$		
		Net Worth	$	**Owner's Withdrawals	
Total Assets	$	Total Liabilities & Net Worth	$	Total	$

*Regular payments made to purchase real estate and other assets should be included in this business expenditure schedule.

**Owner's withdrawals are the amounts withdrawn by proprietors and partners each month for living expenses.

16. I hereby certify that the statements I have made in answer to the questions asked hereon are true and correct to the best of my knowledge and belief.

Signature (Must be signed by Proprietor, Partner or Corporate Officer.) Title Date

INSTRUCTIONS

1. Every retailer who sells tangible personal property and every person who pays wages subject to withholding must file this application. Each corporation of an affiliated group is a separate retailer or employer.
2. A seller's permit is required for each business location in Wisconsin and is valid only at the location for which it is issued. However, only one registration number will be issued for withholding tax purposes regardless of the number of business locations.
3. Out-of-state retailers making sales of tangible personal property to Wisconsin customers should register for a Use Tax Permit.
4. Every person, partnership, corporation, etc., storing, using or consuming tangible personal property subject to use tax should apply for a consumer use tax permit if not otherwise registered for sales or use tax.
5. Enter business or trade name and address. For example, if John W. James (an individual owner) operates a restaurant, enter "John W. James" in item 1 and enter the name of the business, "Busy Bee Restaurant," in item 2 under the trade name. If operated by a partnership, the full name of the partnership should be entered in item 1.
6. The information relating to partners and officers in item 14 must be provided or the application will be returned to you for completion.
7. Closing the books; item 13: This should be the same date that you close your books for income tax purposes.
8. Before this department will issue a seller's permit, the applicant must complete the schedule in item 15 or, in lieu thereof, submit a current balance sheet and projected operating statement for his business.

   The information provided in item 15 is used to determine if the applicant will be required to deposit security with this department before a seller's permit will be issued.

   Individuals whose net business assets are limited, but whose personal net worth is substantial, may wish to submit Form S-106 (Taxpayer's Statement of Financial Responsibility) for our consideration in determining security. Corporate officers may also use this form under similar circumstances.

BUSINESS PRACTICES I. D. NAME: _____

I. On the total of $10,750.00 in purchases, calculate what amounts of money will be due under the following terms:

Invoice dtd	Goods Rec'd	Terms	Amount due ($)	Paid On:
May 17		3/30,n/90	_____	June 16
Nov 12		2/15, X50	_____	Jan 13
Mar 28		2/15, EOM	_____	May 16
Apr 27	May 3	2/10, ROG	_____	May 13
Jun 26		3/15, n/45, 1½ penalty	_____	Aug 10
Jul 1	Jul 28	2/15, ROG	_____	Aug 11
Apr 9		2/10,EOM	_____	May 9
Jan 17	Feb 12	3/30,n/90	_____	Feb 16
Jun 15		2/10,40X	_____	Aug 4
Oct 14		2/10,n/30,1½ penalty	_____	Nov 20
Jun 19		2/15,n/30, anticipation	_____	Jul 5
Apr 1		2/15, n/30, anticipation	_____	Apr 5
Mar 26		2/10, PROX	_____	May 9

II. Calculate the following amounts due with the indicated trade discounts allowed:

amount	discount amount	amount to be remitted
$175	20%, 10%, 5%	_____
220	25%, 15%, 10%	_____
150	40%, 20%. 10%	_____
340	35%, 20%, 10%	_____
265	15%, 12%, 7%	_____

III. List the months of the year and the number of days in each:

_____ _____ _____

_____ _____ _____

_____ _____ _____

_____ _____ _____

IV. Under terms 3/30, n/60, the Design Palace wished to remove $550 from its invoiced bill in the total of $1650.00. The payment was made on Nov. 21 and the invoice was dated Oct. 22nd. How much was the payment?

_____

V. The terms are 1/10, 90X and the total is $1165.08, including $150 of freight, invoiced on Feb 6th and paid thus:

$823 available for payment on Feb 13th; balance to be paid on May 16, 1980.

How much money was paid on 2/13/80 ? $_____

How much money was paid on 5/16/80? $_____

VI. On the total bill amount of $13,000.00, calculate the amount due under the following conditions:

Invoice	Payment	Rec'd	Terms	Amount due:
Mar 28	Apr 7		1/10, n/30	
Jan 15	Feb 16		1/10,n/30	
Jun 17	Jul 7		5/10, 2/20, n/60	
Oct 9	Nov 8		3/10, 1/20, n/30	
Feb 3	May 14		2/10, 90X	
Apr 4	Jun 30		2/10, 60X	
May 3	Jun 15	Jun 5	2/10, ROG	
Jan 8	Mar 17	Feb 15	1/10, ROG	
Oct 3	Jan 20	Dec 16	2/10, ROG	
Feb 26	Apr 10		4/10, EOM	
Sep 9	Nov 10		8/10, EOM	
Jan 25	Feb 10		5/10, EOM	
Nov 12	Dec 12		1/10, n/30	
Jul 28	Sep 10		3/10, Prox	
Apr 19	Jul 30		2/10, 90X	
Sep 25	Nov 10		4/10, prox	
Aug 17	Sep 30	Aug 31	1/10, ROG	

20

Today's date:

Calculating financial ratios

Current ratio	=	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Quick or acid-test ratio	=	$\frac{\text{Cash and receivables}}{\text{Current liabilities}}$
Number of days' sales in receivables	=	$\frac{\text{Receivables}}{\text{Average daily credit sales}}$
Number of days' sales in accounts payable	=	$\frac{\text{Accounts payable}}{\text{Average daily purchases}}$
Inventory turnover	=	$\frac{\text{Cost of goods sold per year}}{\text{Average inventory}}$
Return on investment	=	$\frac{\text{Net profit}}{\text{Investment}} \times 100\%$
Net profit to working capital	=	$\frac{\text{Net profit}}{\text{Current assets — current liabilities}}$
Debt to ownership	=	$\frac{\text{Total liabilities}}{\text{Ownership equity}}$
Current liabilities to inventory	=	$\frac{\text{Current liabilities}}{\text{Inventory}}$
Net sales to inventory	=	$\frac{\text{Net sales}}{\text{Inventory}}$
Net sales to working capital	=	$\frac{\text{Net sales}}{\text{Working capital}}$
		$\frac{\text{Current Liabilities}}{\text{Owners' equity}}$
		$\frac{\text{Net sales}}{\text{Fixed assets}}$
		$\frac{\text{Receivables}}{\text{Working capital}}$
		$\frac{\text{Inventory}}{\text{Working capital}}$

To my students:

When are you selling?

If I asked you to describe your job or write your job description, none of you would write "Selling" and quit at that point--and quite rightfully so. But actually everything else you do is a part of that selling. You have to order merchandise to stock your store so that you can sell, you have to unpack it so that you can sell it, you have to set up counters, dust everything, set up displays with signs, prices, have legible labels, etc. ALL so you can SELL. You vacuum, you have cash registers, pencils, sales slips, and store equipment such as good lighting, etc. to sell. Of course there is advertising--much of it put out by the companies--all to help you sell.

When does the sale start though? Probably in the cradle when you began to kick the slats out of it for your own personality began to take shape then. Not much we can do about the 21 years that are already behind some of us. But . . . when you put on your clothes in the morning you've begun your sale for an impression or image has begun for the customer to see when he comes in your store, as well as shaving or makeup or shampooing, etc. completes the image.

Next the store image--is it bright and cheery, is it clean, colorful (in your business--I wouldn't necessarily suggest this item for a funeral home where more solemness prevails). Every store can be clean, neat, orderly, use displays.

Now YOU--are you listening to the customer . . . really listening (this includes listening with your eyes as well as your ears) when she always selects the natural earth tone colors from all samples of wallpaper or drapery fabric?

Also, does she enjoy the tactile qualities of certain fabrics--the smooth in preference to the nubby or rough?

Do you know the characteristics of the fabrics? What will you help her select if she has a lot of sun, if she complains the room is too bright, if the room is blah? What will wear, how can she clean it if she already has four kids and another on the way--silk and velvet?

And when all the information has passed, she's picturing her home with these fabrics, wallcoverings, etc. do not forget to close the sale by asking for her order. She's waiting to be asked. Her home cannot look like she's picturing it until she orders and sets the wheels in motion for it to happen.

So, with a smile and armed with much patience, offer your help provide product knowledge and ask for the sale.

Like a speech . . . it has a beginning, a middle and an end.

Mary Schmolesky

ANNOTATED GLOSSARY OF BUSINESS TERMS

The following glossary was adapted from materials used in Small Business Administration (SBA) workshops. This glossary can be used as a handout for students; some of the terms are also listed as "Definitions to Know Before You Begin" in several units. Read over the list; it is important to have a working knowledge of most of these definitions. Although many are not necessarily the singular or complete definitions, they can be used for clarification purposes.

ACCOUNTANT. One who is skilled at keeping business records. Usually the name "accountant" refers to a highly trained professional rather than one who keeps books. An accountant sets up the books needed for a business to operate and helps the owner understand what the business records mean.

ACCOUNT. A record of a business transaction. When you buy something on credit, the company you are dealing with sets up an account--a record of what you buy and what you pay. You do the same thing with customers you extend credit to. You may also have an account at the bank, a record of deposit and withdrawal.

ACCOUNTS RECEIVABLE. A record of what is owed to you. All of the credit accounts taken together are your accounts receivable. Accounts receivable provide information on what the business is worth at any time. They must be collected in order to make a profit or to become an asset.

ANALYSIS. Breaking down an idea or problem into its parts and examining all the aspects. In business you must make an analysis of a problem before you can decide on the best solution. If, for example, an item isn't selling well, you must gather all the pertinent facts. This can be done by making a list of things which might be wrong or asking questions such as: Is the price right? What have customers said about the item? Are the packages or displays dirty or unsightly? Is the item old-fashioned or out of date? Does it do the job it is supposed to do? Do your customers have any need for it? Analysis can involve anything which can explain why there is a problem or the motives behind an idea.

ASSET. Anything of worth that is owned. Your personal assets (not counting your abilities) are the money you have in your pocket or in the bank, whatever is owed to you, any securities or properties you own, including home, furniture, and appliances. Anything you personally own is an asset. The assets of a business are similar: money in the bank; accounts receivable; securities held in the name of the business; property, buildings, equipment, fixtures, and merchandise for sale or being prepared for sale; supplies and anything of value which the business owns.

ARTICLES OF INCORPORATION. A legal document filed with the state which sets forth the purposes and regulations for a corporation. These papers must be approved by the appropriate state office before a corporation legally exists and is allowed to do business. Each state has different requirements and the procedures are complicated. A lawyer specializing in corporate law should usually be hired to set up and get approval for a corporation.

BAD DEBTS. Money owed to you that you can't collect. Certain customers never pay bills, leaving bad debts.

BAD DEBTS ALLOWANCE. An advance estimate of how much you are not going to be able to collect from bad credit risks or bad debts.

BALANCE. The amount of money remaining in an account. A balance can be (1) the total money in the bank after accounting for all transactions (deposits and withdrawals) or (2) the amount of money you owe a creditor or a customer owes you.

BALANCE SHEET. An important business document which shows what a business owns and owes as of the date shown. A balance sheet consists of a list of business assets and their cost on one side, and a list of liabilities (all that the business owes) and owner's equity (investment in the business) on the other side with the amount for each. If the balance sheet is figured correctly, the total assets will equal the total liabilities plus the owner's equity.

BOOKKEEPING. The process of recording business transactions in the accounting records.

BREAK-EVEN POINT. The level of business at which the revenue (income) exactly equals the expenses (outgo). The break-even point is used to figure profit on estimated sales.

BUDGET. A plan expressed in money terms. A budget is a guide in helping you decide to spend money or not, and answers questions such as: How much money do you need to run the business? How much money do you think will be coming in? See also PLAN.

BUSINESS VENTURE. Taking financial risks in a commercial enterprise. These risks are taken in the hopes of making a profit on an investment, but may involve financial losses, particularly for new businesses. Business venture risks can be partially controlled by practicing good management and getting good advice from bankers, accountants, lawyers, and business associates.

CAPITAL. Available money to invest or the total of accumulated assets available for production. When an entrepreneur goes into business, capital may include owned property or money resources—in short, anything owned by the entrepreneur that can be converted into cash. Capital will also be needed to live on until the business starts to make a profit. Later on, if the business is successful, it will accumulate capital in the form of property, goods, and money, such as securities.

CAPITAL REQUIREMENT. A list (or schedule) of expenses which must be met to establish a business. A list of capital requirements for a new business must be comprehensive and must include all expected costs with an extra margin for unexpected costs. For example, living expenses until the business starts to earn a profit must be included as a capital requirement.

CASH. Readily available money. Cash includes bills, coins, checks, and other negotiable securities.

CASH DISCOUNT. A deduction that is given for prompt payment of a bill. Usually a cash discount amounts to about 2% of the bill.

CASH RECEIPTS. The money received by a business from customers.

CONTRACT. An agreement regarding mutual responsibilities between two or more parties. Written contracts legally bind the parties to the agreement and must be carefully examined. For example, many sales forms and order blanks are binding contracts. Most business contracts should be reviewed by a lawyer. A contract should be signed only when its terms and conditions are fully understood.

CONTROLLABLE EXPENSES. Those expenses which can be controlled or restrained by the business person. Certain expenses, such as replacing older equipment, can be postposed until the business shows more profit and is able to support the cost of maintenance or payments.

CHAIN OF COMMAND. The proper lines of authority between the head of an organization, its managers and supervisors, and its workers. Every business should have a direct line of authority which everyone understands. An organization chart can be useful in making the structure of the business clear.

CORPORATION. A business venture comprising a group of individuals treated by the law as an individual. The corporation acts on its own through its officers and is empowered to make contracts and carry out business activities in the same manner as a sole proprietorship or partnership. Unlike other types of ownership, the shares of a corporation may be owned by a number of persons.

COSIGNERS. Joint signers of a loan agreement, pledging to meet the obligations in case of default. When someone cosigns a loan, he or she guarantees that the loan will be paid back. The lender can take legal action to take the cosigner's property if he or she refuses to pay.

CREDIT. 1. Used in bookkeeping to record a transaction that makes an asset account smaller. To credit is to place an entry on the right side on an account. 2. The business owner's reputation for prompt payment of obligations, i.e., a "good credit rating."

INVENTORY. A list of assets being held for sale. For retailers, stock on the shelves is inventory. Inventory can also be available supplies, goods received or stored, and any expendable items. Inventory is periodically taken for bookkeeping purposes and as a part of current assets to help compute the business's worth.

INVEST. To lay out money for any purpose from which a profit is expected. Investments can be evaluated by computing the profit received on a low risk investment. The estimated profit on the proposed investment should show a much greater return.

LEASE. A long term rental agreement. The agreement gives the landlord assurance that the property will be rented and protects the renter because it assures that the property will not be rented from the business.

LIABILITY INSURANCE. Risk protection for actions for which a business is liable. Insurance that a business carries to cover the possibility of loss from law suits should the business or its agents be at fault when the action occurred.

LIMITED PARTNERSHIP. A legal partnership in which the investors put up money for the business without becoming directly involved in its operation.

LINE POSITION. A place of authority in an organization in which the person involved is only responsible to the person directly above him or her.

LIQUIDATE. To settle a debt or convert into cash. A debt is liquidated by being paid off; assets are liquidated by being sold and thus converted into cash.

LOAN. Money lent with interest. A lender makes a loan under the assumption that it will be paid back in full according to the interest terms stipulated.

MANAGEMENT. The art of conducting and supervising a business. Managers exercise judgment in all aspects--including personal and financial--of the business.

MARKETING. All the activities involved in buying and selling a product or service. Marketing answers questions such as: Who is going to buy? What do they want? Where will they go to get it? How much will they pay? How much will they buy? Who else sells it? How will you sell it? How much profit do you want?

MERCHANDISE. Goods bought and sold in a business. Merchandise means anything movable that may be sold or traded, including stock which is part of inventory.

MOTIVATION. Strong influence or incentive, either on a conscious or unconscious level. People are often motivated to buy things for reasons they are not aware of.

NET. The amount left after deducting all charges. See also GROSS.

NONRECURRING. One time; not repeating. Nonrecurring expenses are those which only have to be paid once and will not occur again.

OBSOLESCENCE. Declined in value because of replacement by new or better things.

OBJECTIVE. 1. Something toward which effort is directed; something to accomplish. 2. Based on factual and realistic information.

OPERATING COSTS. Expenditures arising out of current business activities. The costs of doing business such as salaries, electricity, rent, deliveries, etc.

OPERATING RATIOS. The relationship of costs from business activities. For example, percentage of costs for rent can be used as an operating ratio, and can be compared with similiar business. See also RATIOS.

OPERATING ORGANIZATION. The management structure of a firm.

ORGANIZE. To put in order. For an entrepreneur, this involves using logical thought processes to hire a work force, put bills on a payment schedule, arrange merchandise into a display plan, etc.

OWNER-MANAGER. One or more persons who own and operate a business.

OWNERSHIP ORGANIZATION. The legal structure for a business. How a business is organized legally depends upon how it is owned. If one person owns it, it is a sole proprietorship. If more than one share in owning-managing the business, it is a partnership. However, if a large number of people own a business, it is usually a corporation.

PARTNERSHIP. A legal business relationship of two or more people who share responsibilities, resources, profits, and liabilities. Most partnerships have an agreement in writing.

PAYABLE. Ready to be paid. For example, when an account or accounts are payable, the bills are current and due to be paid.

PERSONNEL. Persons collectively in the employ of a business.

PLAN. A detailed scheme for implementing a decision. In formulating a plan, the questions of what, where, when, how and why must be answered. See also BUDGET.

PLEDGE. 1. To bind by a promise. Most business matters are conducted through a mutual agreement between parties. 2. To give something of value as a security on a loan. A formal, usually written, arrangement, generally involving sizeable amounts of money, in which the borrower promises to give up her or his capital assets should the borrower be unable to meet the obligation.

POSTING. To enter into an account. Figures in a ledger are posted by being assigned to their appropriate position in the firm's accounting records.

PRICING. To set the selling price. A complex function which, among other factors, involves determining how much profit you need, what your competition is charging, and how much your customers are willing to pay.

PRINCIPAL. 1. Property or capital assets invested in a business as opposed to income. 2. One who is directly concerned with an enterprise by investing money or effort.

PROFIT. Financial gain; returns over expenditures. Profit is the amount of money remaining after all operating expenses have been paid.

PROFIT MARGIN. The difference between the selling price and the cost.

PROFIT AND LOSS STATEMENT. A list of the total amount of sales (revenues) and total costs (expenses). The difference between revenues and expenses is the profit or loss. Also called an income statement.

PROPRIETOR. A person who owns a business.

PROPRIETORSHIP. Subject to exclusive ownership. A business owned by one person.

RATIO. Expressing the relationship of one thing to another by using numbers or degrees. For example, a grocer can compute the loss ratio on lettuce by dividing the number of heads of lettuce lost into the number sold.

RECEIVABLE. Ready for payment. A receivable is a current asset on a balance sheet and represents money owed to the business. Accounts receivable are a record of credit owed to the business and of who owes it.

REGULATIONS. Rules or laws affecting a business. The government sets up mandatory laws to protect both consumers and business persons.

RESERVE. That which is held back and stored for future use or in case of emergency. Cash reserves help the entrepreneur meet unforseen or emergency expenses.

RETAIL. Selling directly in small quantities to the consumer. Although an item may be advertised as discount, cut rate, or wholesale, it is probably being sold at retail price if it is marketed in small quantities to the general public. See also WHOLESALE.

SECURED. Protected or guaranteed, made safe. A secured loan is obtained by putting up something of value as collateral or as a guarantee of repayment.

SERVICE BUSINESS. A business which deals in activities for the benefit of others. Service businesses can include such diverse enterprises as doctors, lawyers, auto repair shops or laundries.

SHARE. One of the equal parts into which the ownership of a corporation is divided. A share represents a part ownership in a corporation, the amount of ownership being determined by the number of shares held. A person can own shares in a firm without being directly involved. However, in most small businesses including corporations, owners participate in management responsibilities. See STOCK.

SITE. A plot of ground set aside for a particular use. The site may be owned, or in the case of many new businesses, rente[illegible] For many businesses, particularly retail firms, the proper site may determine the number and kinds of available customers.

STABILIZE. To make less subject to changing conditions. The business stabilizes when it is not affected by these changes or when the conditions themselves fluctuate less. Business persons can help stabilize their firms by diversifying into products which usually sell well, by eliminating the factors which cause fluctuation, or by operating on a level that minimizes the effect of the fluctuations.

STATISTICS. A collection of accurate numerical data; classified facts which can be stated in numbers. Statistics provide factual information such as census data, the number of businesses in a particular location, or the number of customers entering a store on a given day.

STOCK. 1. An ownership share in a corporation. 2. Accumulated merchandise which a merchant sells and displays on the shelves. See also SHARE.

TAXES. Money owed to internal revenue authorities of the federal, state, local or county government. There are many types of taxes and methods and timing of payment.

TERMS OF SALE. The conditions concerning payment for a purchase. For example, 2/10: 3/30 terms mean that if payment is made within ten days a 2% discount is given; otherwise payment must be made in full within 30 days.

TRADE CREDIT. Permission to buy from suppliers on open account. Often the supplier extends this service for a short period of time (usually 20-30 days) without charging interest. However, interest may be charged if the amount is large and the time for repayment is extended.

TRANSFER. To remove from one place to another or from one person to another. Banks allow for the efficient transfer of funds through checks.

TANGIBLE. Something that is real. In business, anything that can be seen and evaluated is tangible. For example, tangible assets can be converted into cash.

VOLUME. The total amount or quantity that a business sells over a period of time.

WHOLESALE. Selling large quantities of an item to dealers for resale. See also RETAIL.

We would appreciate any comments on the content, the format and the usefulness of this material.

Please send any suggestions and comments to:

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